

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE**

**HELD ON
Thursday, June 26, 2008
10:30 a.m., Arizona Time**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. David Byers, Chair, called the meeting to order at 10:30 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. David Byers, Chair
 Mr. Steven Zeman, Vice-Chair
 Dr. Keith Meredith (Via Teleconference)

Absent: Mr. Michael Townsend

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the April 24, 2008 OC Meeting

Motion: Mr. Steven Zeman moved the minutes of the April 24, 2008, OC meeting be adopted as presented. Dr. Keith Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding Long Term Disability Contract Renewal

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Mr. Patrick M. Klein, Assistant Director for External Affairs, who gave a brief presentation to the Committee regarding the renewal of the Long Term Disability (LTD) contract with Sedgwick CMS, the current claims administrator.

Mr. Klein gave an overview of the status of the LTD program, indicating the number of claims processed and approved, the number of open LTD claims, and the funded status of the LTD plan. He also noted the original contract with Sedgwick CMS was awarded for the term of August 1, 2006 through July 31, 2011, with terms of a one year contract with four renewable years. Mr. Klein said this would be the second renewal with Sedgwick CMS and that all current charges and all other terms and conditions of the contract would remain in effect.

4. Presentation, Discussion and Appropriate Action Regarding ASRS Risk Assessment Annual Report

Mr. Guarino addressed the Committee regarding the annual report of the status of the biennial ASRS risk assessment that was implemented in June 2007 for fiscal years 2008 and 2009 to identify potential risks and threats to the ASRS. He presented the assessment with updates of actions Internal Audit and Management have taken since implementation.

He stated the goal of the interim report was to give the Committee reasonable assurance ASRS staff were taking appropriate steps to mitigate risks throughout the ASRS. Mr. Guarino then highlighted the areas of benefits payments, health insurance, data collection, member services, web services and information technologies with regards to risk and the strategies and actions that have occurred in the past 12 months.

5. Review of Recently Conducted Audits

- **Maricopa Unified School District**
- **Northern Arizona University**
- **Maricopa Integrated Health Systems**

Mr. Guarino introduced Mr. Bernard Glick, the ASRS Chief Auditor, who updated the Committee on three recently conducted audits.

The first audit dealt with Maricopa Unified School District. Mr. Glick said the audit of this school produced five findings including lack of time sheets for part-time employees, the District not withholding ASRS contributions from eligible part-time employees and those who met the 20/20 eligibility criteria, delayed payment of contributions, contributions not being withheld from “dual employed” employees, and a recently hired retiree that did not comply with certain state statutes in returning to employment. He said Maricopa Unified School District owes the ASRS \$7,482.60 in contributions and interest.

The second audit involved Northern Arizona University. Mr. Glick reported several findings from the audit including the lack of time sheets to substantiate the hours worked by part-time professors, students and/or temporary employees, the University not withholding contributions from 38 employees who met the 20/20 eligibility requirement, and the University not withholding contributions from employees who were “dual employed.” He stated the University owes the ASRS \$37,592.01 in contributions and interest.

Mr. Glick then addressed the Committee regarding the audit of Maricopa Integrated Health Systems. He stated the audit produced four findings including the Health System deducting contributions from employees who did not meet the 20/20 eligibility criteria, the inaccurate reporting of gross wages and contributions from 12 employees in fiscal year (FY) 2006, contributions not being collected in FY 2006 from eligible employees, and two retirees being identified as ineligible employees in FY 2006. Mr. Glick said the ASRS owes the Health System \$67,243.03.

6. Request for Future Agenda Items

A request was made for a report from External Affairs on the development of a self-audit procedure for ASRS employers and its future implementation.

7. Call to the Public

No members of the public addressed the Committee.

8. Adjournment of the OC

Mr. David Byers adjourned the meeting at 11:49 a.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date